

**Statement of Bob Sinner
President, SB& B Foods, Inc.
American Soybean Association**

before the

**Committee on Small Business
U.S. House of Representatives**

May 16, 2012

Good afternoon Mr. Chairman and Members of the Committee. My name is Bob Sinner. I am a fourth-generation partner in a family farming business started in 1906. I am here as president of SB& B Foods, Inc., and as a member of American Soybean Association. I also serve on the advisory committee of the U.S. Soybean Export Council, the organization that implements international market development activities for the American Soybean Association, the United Soybean Board, and soybean exporters. I appreciate the opportunity to appear before you today to provide my views concerning trade policy and its effect on small business exporters.

Soybeans and soybean products are the most significant U.S. agricultural export commodity. Exports of U.S. soybean products exceeded \$22 billion last year, representing more than 60 percent of U.S. soybean production. My company, SB&B Foods, Inc. supplies specific varieties of non-biotech, identity preserved soybeans to food companies around the world. Our parent company Sinner Bros. & Bresnahan; our marketing entity SB&B Foods, Inc.; and our processing facility, Identity Ag Processing LLC, together employ approximately 30 people who grow, package and export an extensive line of Identity Preserved products to customers worldwide. Sales for our exporting entity, SB&B Foods, Inc. have totaled between \$20 million and \$25 million annually for the past three years. Our largest markets are in Asia.

When our business first expanded to the international marketplace in 1988, we focused our efforts on Japan. We were fortunate to receive cost-share funding for promotional activities from Food Export USA, a not-for-profit organization funded by USDA's Market Access Program (MAP). Food Export USA provides a range of services to facilitate trade between local food suppliers and importers around the world. In this regard, I cannot overstate the success and value of USDA's export promotion programs in expanding U.S. agricultural exports globally. USDA's Agricultural Trade Offices (ATOs) are also incredibly helpful in helping exporters navigate foreign regulations and importing requirements.

One of the challenges we have encountered over the years as we have expanded to other markets is the lack of consistency in international standards. As you know, each country brings a new set of challenges, and one persistent challenge is the inconsistency of countries that require a phytosanitary certificate, and the inconsistency of our own government in providing such certificates. Japan and Singapore for instance, do not require a phytosanitary certificate but Taiwan does. Yet, if a Japanese customer might request a phytosanitary certificate, our own government has refused to provide one – even at the customer's request – because Japan's regulations do not require one. And while a phytosanitary certificate can add an additional cost to the small exporter, it can provide that extra assurance to customers that our food products are safe. In this regard, I believe the U.S. government must work toward achieving international

harmonization of standards in order to create more consistency in global markets. It is nearly impossible for small exporters to combat the multitude of challenges in the international marketplace on their own. World markets are already characterized by unjustified sanitary and phytosanitary barriers not supported by sound science.

With the recent implementation of the South Korea Free Trade Agreement (FTA), U.S. food-grade soybean producers will have access to the Korean market for the first time outside of that country's state trading enterprise. Under the FTA, Korea agreed to establish a zero tariff-rate quota (TRQ) for identity preserved soybeans for food use. This TRQ will be 10,000 tons in the first year of the agreement, increasing to 20,000 tons in year two, and 25,000 tons in year three. For years four and beyond, the TRQ grows three percent annually, in perpetuity. The new TRQ distributed by the Korea government will be operated by the local Associations of food-grade soybean processors. However, the challenge for a small exporter to develop a trade relation with an importing Company in Korea, will be their relationships ability to access the quotas administered and controlled by the local Associations. There is also some question that the Associations may be expected to meet the requirements and specifications outlined by the state trading enterprise, which has historically favored Asian suppliers. At the same time, member Companies of Associations will likely be subject to fees or costs associated with the access to the available quotas. On this point, I strongly urge our government to ensure a certain level of transparency on the implementation and administration of the TRQ, and to facilitate private sector understanding on how to conduct business outside the state trading monopoly. If the TRQ becomes too political, U.S. food-grade exporters may not reap the full benefits of the FTA.

Although the Asia Pacific region has been a top market for food-grade soybean producers over the past decade, substantial potential exists for expansion in agricultural and soybean trade between the United States and the region. In China, for instance, we are seeing a growing need for imports of food-grade soybeans, but we do not yet export to China due to the insurmountable restrictions imposed by the Chinese. Vietnam and Indonesia are also growing markets for food-grade soybean products and it is my hope that a Trans-Pacific Partnership (TPP) free trade agreement will provide significant market opportunities for exports of soybeans products and other U.S. agricultural exports, especially with its long-term objective of establishing a broader Asia-Pacific trade arrangement.

I would also like to share some thoughts about our own infrastructure and transportation system which challenges a small exporter's ability to compete effectively. The growing demand for identity preserved grains and the "just-in-time" delivery specifications required by customers, challenges us to make certain that container equipment is available in rural America. But we have a transportation system in the United States that prices equipment into and out of large metropolitan locations in favor of bridging many of the rural supplier states en route to the departure ports. This approach ignores the importance and necessity of timely food shipments, and also undermines the economic fabric of rural America. There is a very real concern that if the world demands more grains and soybeans from the U.S., small exporters may not be in a position to meet demand at competitive prices unless container equipment is available and competitive pricing solutions are implemented.

Finally, I would like to make a simple cautionary statement regarding the Food Safety Modernization Act. As I mentioned earlier, exporters are already challenged by a multitude of regulatory and importing requirements in the international marketplace. The food safety bill has the potential of exacting a hefty cost to exporting companies by imposing an additional set of burdensome requirements. While there is some justification for some of the safety requirements outlined in the bill, we need to recognize that we also already have the safest food system in the world. And some of the safety provisions in the bill are already addressed in contractual agreements with customers that have specific quality standards, in addition to the food safety requirements established by foreign governments.

In summary, small exporters face enormous competition and a web of regulatory constraints abroad. The export promotion programs are among the few tools that help American farmers promote U.S. commodities and remain competitive in the global marketplace. While the rapidly growing markets in the Asia Pacific region, led by China, are key drivers of U.S. soybean demand, there are significant barriers that we need to break down to meet increased demand for U.S. commodities in the region. We hope that the TPP free trade agreement is successful in making the regulatory systems of member countries more compatible so U.S. companies can operate more seamlessly in these markets, and help innovative, job-creating small- and medium-sized enterprises to participate more effectively in international trade.

Thank you again, Mr. Chairman, for the opportunity to present our views. I am happy to respond to any questions.